The Conference Board

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International Economic Scoreboard™

INSIDE:

- **Global Business Cycle Shows Great Diversity**
- **United States Outlook Brightens, Japan and West Germany Weaken**
- **Inflation Continues to Look Favorable**

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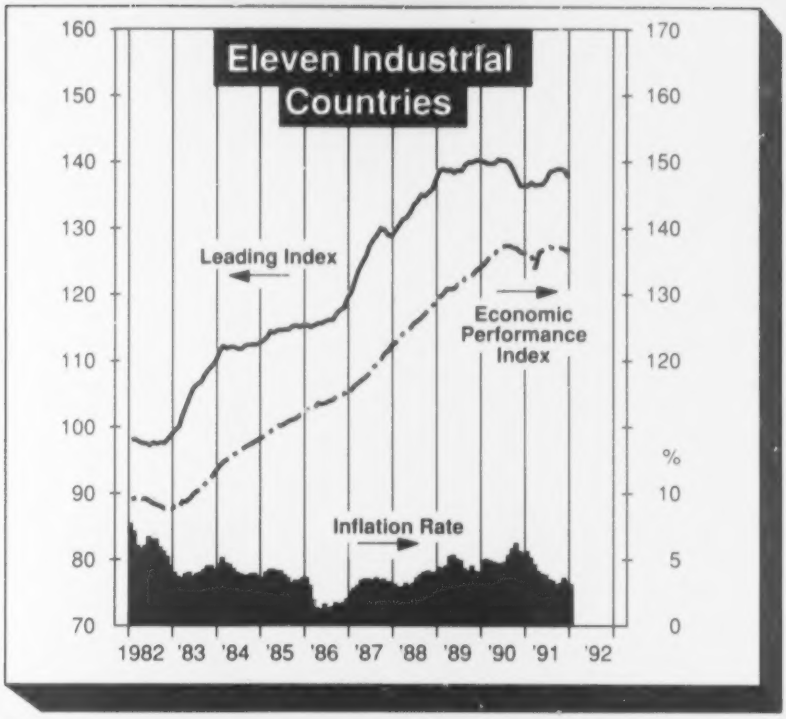
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates • 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates • 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
Eleven countries	3	0	0	0	0	2	0	Recovery stalled, leaders weak	Dec.
Ten countries (U.S. excl.)	3	3	1	1	-2	0	-3	Expansion slowing, leaders weak	Dec.
North America (2)	3	-4	-1	-1	2	6	5	Recovery underway	Dec.
Europe (4)	2	2	0	1	2	2	-1	Expansion slowing, leaders weak	Dec.
Pacific Region (5)	4	4	3	0	-7	-2	-6	Expansion slowing, leaders weak	Dec.
United States	3	-3	-1	-2	5	7	7	Recovery underway	Jan.
Canada	3	-3	-1	-1	-1	1	-4	Recovery stalled, leaders weak	Dec.
West Germany	2	5	1	-2	1	0	-2	Expansion slowing, leaders weak	Dec.
France	2	3	4	3	6	5	0	Expansion continuing, leaders weak	Nov./Dec.
United Kingdom	2	-4	-2	-1	0	1	0	Recession continuing, leaders weak	Dec.
Italy	2	0	2	2	2	0	-1	Expansion stopped, leaders weak	Oct./Dec.
Japan	4	5	4	1	-9	-3	-8	Expansion slowing, leaders weak	Dec.
Korea, R.O.K.	7	6	6	4	8	14	5	Expansion continuing	Dec./Jan.
Australia	3	-9	-5	0	1	0	3	Recession continuing, leaders improving	Jan.
New Zealand	2	-2	-2	-2	-2	4	5	Recession continuing, leaders improving	Dec.
Taiwan, R.O.C.	8	5	8	8	8	7	8	Expansion continuing	Jan.

• Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

All Directions At Once

The global business cycle continues to look soggy. Both the leading and performance indexes for the 11-country composite fell off a point at the latest reading, and each currently shows a growth rate of zero.

This picture of an enervated business cycle is accurate for the industrial world as a whole, but in most cases such a description would be misleading if applied to each nation individually. Examined separately, the countries are moving every which way. Among the Big 3, the United States' cyclical outlook is looking brighter but Japan and Germany darker (as detailed elsewhere in the *Scoreboard*). The Canadian leading index looked encouraging a month ago, but new and revised data make it look sour now. In the rest of Europe (other than Germany) there's no change from the dull outlook of a month ago. And in the rest of the Pacific Region, Australia and New Zealand still appear (as they have off and on for months) to be getting closer to a cyclical recovery, while Korea and Taiwan have stayed on their usual expansion tracks.

Inflation continues to slow, although progress now seems more hesitant than during 1991. Currently, the best inflation news is found in West Germany, where just a few months ago the rate had looked worrisome when it climbed to 5 percent, but it has now eased off to 3.7 percent. That's still an uncomfortable rate for Germany, even though it's a welcome improvement.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	3.8	3.1	3.3	Steady	Dec.
Ten countries (U.S. excl.)	5.2	3.8	3.3	3.6	Steady	Dec.
North America (2)	5.6	3.7	3.0	3.0	Falling	Dec.
Europe (4)	6.6	4.4	4.3	4.5	Steady	Dec.
Pacific Region (5)	3.4	2.8	1.9	2.9	Steady	Dec.
United States	5.5	3.5	3.0	3.0	Falling	Dec.
Canada	6.5	5.8	3.8	1.5	Low and Falling	Dec.
West Germany	2.9	3.4	4.6	4.4	Steady	Dec.
France	7.3	2.9	2.6	3.4	Steady	Dec.
United Kingdom	7.3	4.9	4.0	4.4	Steady	Dec.
Italy	11.2	6.4	5.6	6.1	Steady	Jan.
Japan	2.5	2.6	1.3	2.6	Steady	Dec.
Korea, R.O.K.	8.1	8.4	9.1	7.9	Falling	Dec.
Australia	8.4	2.4	1.8	2.0	Low and Steady	Nov.
New Zealand	11.8	2.1	1.4	0.2	Low and Falling	Nov.
Taiwan, R.O.C.	4.4	2.7	1.1	4.8	Rising	Dec.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

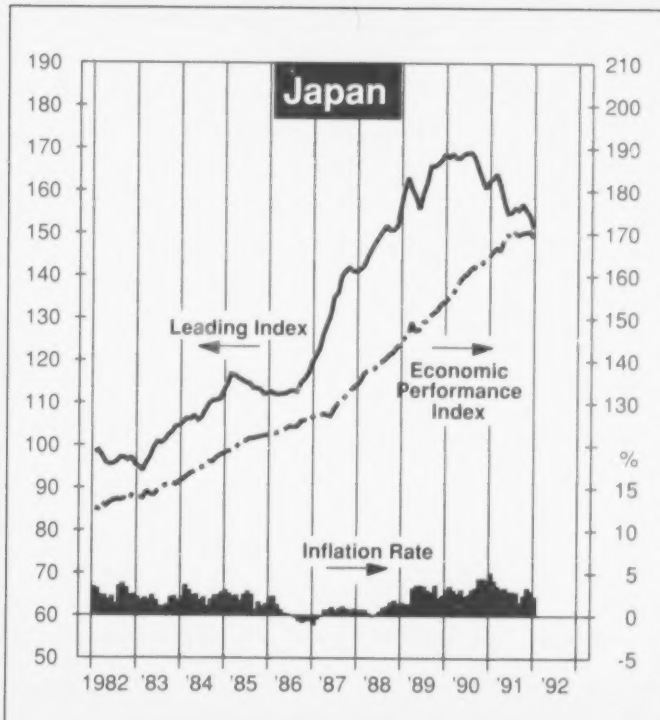
Countries

Mild Encouragement

The U.S. business cycle outlook has improved noticeably of late. Although there's no sign of a *vigorous* upswing, many of the early warning indicators that were more or less stagnant late in 1991, for example, the average factory workweek and new orders for durable goods, are now pointing upward. New housing permits, which rose most of last year, advanced briskly in recent months.

The one black cloud over the U.S. outlook that won't go away is consumer confidence (not a component of our leading index) which remains at recession depth. The sprightly gains in retail sales for January and February, however, have reminded us that consumer spending doesn't always follow the mood of the consumer, thus taking some of the worry out of the sentiment survey results.

At 2.9 percent, the U.S. inflation rate continues at a comfortable level.

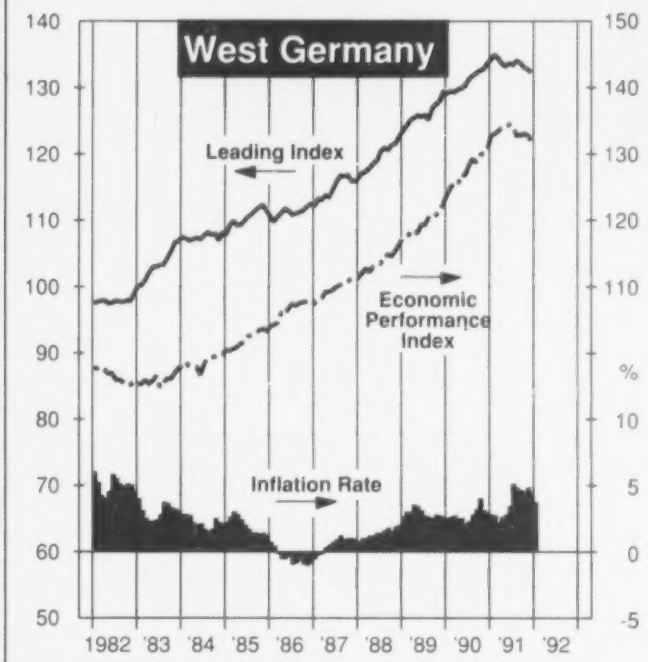


Recession Risk Heightened

The Japanese economy looks worse again this month. The performance index slipped a notch and the leading index dipped another three points. The leading index is now declining at an 8 percent rate. Among the component series that have weakened are overtime hours, business failures, new orders, profit margins, and—most severely—common stock prices.

Since last fall capital investment orders have fallen sharply. Japanese companies are under pressure from two directions. On the one side, bank credit is very tight, and on the other side the plunge in stock prices has shut off the companies' ability to raise equity capital. At this point there is no likelihood of an early turnaround in capital spending.

Japan's trade surplus has been rising—from weak imports rather than export strength—thus offsetting part of the downturn in domestic demand. But with the leading index falling this far for this long, the risk of a full-fledged recession has mounted. The 1 1/2 percent drop in fourth quarter real GNP adds weight to that prospect.



Topping Out?

The German business cycle is showing signs of what might prove to be a "topping out." There's confusion in the numbers, however, because of the integration with East Germany.

West German GDP has been declining for three quarters, but where that might usually mean recession, maybe not this time. First, note that the West German performance index has sagged less than 2 percent since its peak last June. Second, the leading index, usually much more sensitive, is also down just 2 percent from its peak last February. Third, inflation accelerated sharply through July and showed no persuasive signs of slowing until December. By those measures, despite the decline in GDP, 1991 does not appear to have been a recession year.

1992, however, is up for grabs. The leading index has drooped a bit in each of the latest 4 months. New orders for investment goods and two separate indicators of profit margins are especially weak, reflecting the high interest rates imposed by the Bundesbank in its anti-inflation efforts. The evidence pointing toward recession in 1992 is neither severe nor widespread enough to be conclusive, but it surely should make us suspicious.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information:

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-92

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	90	137	140	144	140	128	138	132	126	163	168
Aug.	90	137	140	144	140	128	138	133	126	164	167
Sept.	90	137	139	144	139	127	137	133	125	163	165
Oct.	90	137	138	144	138	126	135	133	125	164	162
Nov.	90	136	136	144	137	125	133	133	125	164	161
Dec.	90	136	136	145	138	124	133	133	125	165	162
Jan.	91	136	136	146	138	123	132	134	125	166	163
Feb.	91	136	137	146	138	122	132	134	126	167	164
Mar.	91	136	136	146	138	122	132	134	126	166	161
Apr.	91	136	136	146	137	122	133	134	126	168	159
May	91	137	136	147	137	122	134	134	126	170	157
June	91	137	137	147	137	122	136	135	127	169	157
July	91	137	138	147	138	122	138	135	127	170	158
Aug.	91	137	139	147	137	122	138	135	127	170	158
Sept.	91	137	139	147	138	122	139	134	127	170	159
Oct.	91	137	139	147	137	122	139	135	127	170	158
Nov.	91	137	139	147	136	122	140	135	126	170	156
Dec.	91	136	138	147	135	122	139	135	126	169	154

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
	4	1	6	2	1	-1	6	2	7	2
	4	0	6	1	0	-2	6	2	6	0
	2	-2	4	-1	-1	-3	5	1	5	-2
	2	-3	4	-2	-2	-4	4	1	5	-5
	1	-4	3	-3	-4	-6	4	0	4	-6
	0	-4	3	-2	-5	-6	3	0	4	-4
	0	-4	4	-2	-6	-6	4	0	5	-3
	-1	-3	3	-1	-7	-5	3	1	5	-2
	-1	-3	2	-1	-7	-5	3	1	3	-4
	0	-2	3	-2	-6	-3	2	2	5	-6
	0	-2	3	-3	-5	-1	2	1	6	-8
	0	0	3	-2	-4	2	2	2	4	7
	1	1	3	-1	-3	4	2	3	4	-5
	0	2	2	-1	-2	5	1	2	4	-4
	0	2	1	0	-1	6	0	2	3	-2
	1	2	2	0	-1	6	1	1	3	-2
	0	2	2	-1	-1	6	1	0	2	-4
	0	0	1	-3	-1	5	1	-1	0	-6
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-92

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Oct.	90	126	137	132	118	130	133	150	130	128	116	121	115	163	163	237	223	144	123	113	114	195	229
Nov.	90	124	135	131	116	130	133	149	130	128	115	121	114	164	160	239	233	142	124	113	114	195	236
Dec.	90	124	134	130	115	131	134	149	129	127	115	121	114	164	162	242	232	142	122	113	113	194	235
Jan.	91	122	134	128	113	133	134	150	130	126	114	122	114	166	163	248	236	142	122	113	113	197	239
Feb.	91	122	134	128	112	133	135	150	131	126	114	121	115	166	164	249	229	140	123	112	112	201	239
Mar.	91	121	134	128	112	134	135	150	132	126	115	122	115	166	161	249	232	138	122	112	112	199	243
Apr.	91	121	135	128	113	134	134	151	133	124	116	121	116	168	158	255	236	134	123	112	112	199	246
May	91	122	136	129	115	134	133	151	133	124	116	122	116	170	154	253	238	136	124	112	112	202	249
June	91	122	138	129	115	135	134	152	135	124	116	122	116	169	155	251	231	137	123	112	112	202	253
July	91	122	140	129	116	134	134	153	136	124	117	122	117	170	156	254	241	134	124	112	113	202	249
Aug.	91	122	140	129	116	133	134	154	136	124	116	122	115	170	155	257	243	138	123	111	114	202	251
Sept.	91	122	141	129	115	133	134	153	136	124	116	122	115	170	157	256	242	134	123	111	115	204	252
Oct.	91	122	142	129	114	133	133	154	136	124	116	123	115	170	155	258	252	134	123	112	116	208	253
Nov.	91	121	142	128	113	133	133	154	135	125	116		115	170	154	257	247	132	122	112	116	208	255
Dec.	91	121	142	128	112	132	132		133	124	116		115	169	151	258	239	132	124	111	116	209	255
Jan.	92	120	143														245	136	125			211	260
		Growth Rates, Percent																					
Oct.	90	-2	-4	-3	-4	6	4	6	0	0	-2	3	-3	6	-6	4	-2	-6	-5	1	-3	2	5
Nov.	90	-4	-6	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	5	6	-9	-3	0	-4	1	0
Dec.	90	-5	-6	-5	-7	5	4	4	-1	-2	-4	3	-3	6	-5	6	4	-8	-4	0	-4	0	0
Jan.	91	-6	-6	-7	-8	8	5	5	0	-3	-5	3	-3	6	-4	10	7	-6	-4	-1	-4	4	2
Feb.	91	-7	-5	-7	-10	7	5	4	1	-4	-4	2	-1	6	-2	9	0	-8	-2	-1	-4	7	2
Mar.	91	-7	-5	-6	-8	7	4	3	2	-4	-3	3	-1	4	-5	8	2	-10	-3	-1	-4	5	6
Apr.	91	-6	-3	-5	-5	6	2	3	4	-5	-1	0	1	6	-8	11	6	-13	-2	-1	-3	5	8
May	91	-5	-1	-3	-2	5	1	3	4	-5	0	2	1	7	-10	9	6	-10	0	-1	-3	6	10
June	91	-4	2	-3	-1	5	1	3	6	-4	0	2	2	5	-9	6	0	-7	-1	-2	-2	6	12
July	91	-3	5	-2	0	4	0	4	6	-3	2	2	2	6	-7	7	8	-9	1	-2	0	5	8
Aug.	91	-2	6	-2	1	1	1	4	6	-3	0	2	0	4	-6	9	8	-4	0	-2	1	4	9
Sept.	91	-1	6	-1	1	1	0	2	5	-2	1	0	0	4	-3	6	7	-7	0	-2	4	6	8
Oct.	91	-1	7	-1	-1	1	1	4	5	-2	1	2	0	3	-4	7	14	-5	0	-1	5	8	7
Nov.	91	-1	7	0	-2	0	-1	3	2	-1	1		-1	3	-5	4	8	-8	-1	-1	5	7	8
Dec.	91	-1	5	-1	-4	-2	-2		0	-1	0		-1	1	-8	4	1	-6	2	-2	5	7	6
Jan.	92	-2	7														5	0	3			8	8
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8